

## Message Text

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ORIGIN ACDA-10

INFO OCT-01 SS-14 ISO-00 ARA-10 OES-02 EUR-08 DODE-00  
CIAE-00 EB-04 INR-05 IO-06 L-01 NSAE-00 SP-02  
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ARA/ECA:NBOUTON  
ARA/RPP:CFINAN  
OES:RDEMING PM/NPP:ALOCKE  
EUR/RPE:WSALISBURY  
T:DWELCH DOE/AIA:HBENGELSDORF  
DOE/ISA:JKRATZ S/AS:RKELLEY (SUBS)  
DOD:JOPPENHEIM  
COMMERCE:JNELSON

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P 282259Z JUL 78  
FM SECSTATE WASHDC  
TO AMEMBASSY BONN PRIORITY  
AMEMBASSY BUENOS AIRES PRIORITY  
AMEMBASSY VIENNA PRIORITY  
INFO AMEMBASSY OTTAWA PRIORITY

C O N F I D E N T I A L STATE 191795

LIMDIS; USIAEA

E.O. 11652: GDS

TAGS: PARM, TECH, MNUC, AR, GW

SUBJECT: US SALE OF ZIRCALOY TO FRG FOR USE IN ARGENTINA

REFS: (A) STATE 50943; (B) BONN 9764; (C) STATE 108074;  
(D) BONN 3888

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1. AS ACTION ADDRESSEES WILL RECALL (REF A) THE US HAS A  
REQUEST FROM FRG FUEL FABRICATOR RBU FOR LARGE QUANTITY OF  
ZIRCALOY (OF WHICH US IS WORLD'S PRINCIPAL SUPPLIER) FOR  
USE IN FABRICATING FUEL FOR GERMAN-SUPPLIED ARGENTINE  
ATUCHA REACTOR. DESPITE SIGNIFICANT US SUPPLY OF HEAVY  
WATER TO THE ATUCHA PROJECT, THE US DOES NOT HAVE REPRO-  
CESSING VETO OVER ATUCHA FUEL, BUT FRG DOES. WE, THEREFORE,

REQUESTED THAT FRG AGREE TO CONSULT WITH US BEFORE EXERCISING ITS CONSENT RIGHT OVER REPROCESSING (REFS A AND C). ALTHOUGH WE STRESSED WE WERE NOT SEEKING A VETO RIGHT, GERMANS DECLINED (REFS B AND D). USG WAS DISAPPOINTED THAT FRG TOOK THIS POSITION SINCE WE BELIEVED OUR PROPOSED CONSULTATIONS WOULD BE FULLY IN KEEPING WITH THE SPIRIT IF NOT THE LETTER OF THE SUPPLIERS' GUIDELINES. NEVERTHELESS, WE PROPOSE TO PERMIT SALE OF ZIRCALOY IF CERTAIN ADDITIONAL ASSURANCES CAN BE OBTAINED FROM THE ARGENTINES.

2. FOR EMBASSY BUENOS AIRES: WITHOUT REFERRING TO BACKGROUND NOTED ABOVE, YOU SHOULD APPROACH APPROPRIATE CNEA AND/OR FONMIN OFFICIALS, DRAW ON FOLLOWING POINTS:

(A) US IS PLEASED AT DECISION OF ARGENTINE GOVERNMENT TO RATIFY TLATELOLCO AND WE HOPE THAT THE INSTRUMENT OF RATIFICATION WILL BE DEPOSITED IN MEXICO CITY IN THE NEAR FUTURE. WE ARE SIMILARLY PLEASED AT RECENT ANNOUNCEMENT OF ARGENTINE WILLINGNESS TO ENTER INTO DISCUSSIONS WITH IAEA ON FULL-SCOPE SAFEGUARDS AGREEMENT.

(B) AS SPELLED OUT IN JOINT COMMUNIQUE AND DISCUSSION IN NOVEMBER 1977, THE COMPLETION OF THESE STEPS WILL HAVE A POSITIVE IMPACT ON OUR NUCLEAR RELATIONSHIP. US WILL BE PLEASED TO TAKE ACTIVE ROLE IN SUPPORTING ARGENTINA AS A CONFIDENTIAL

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NUCLEAR SUPPLIER, FOR EXAMPLE IN RESEARCH REACTOR AREA. THOUGH OUR NEGOTIATING SCHEDULE IS TIGHT AT THE MOMENT WE ARE PREPARED TO BEGIN CONSULTATIONS ON NEW AGREEMENT FOR COOPERATION IN THE FALL. AS WE DISCUSSED IN NOVEMBER 1977 SUCCESSFUL RENEGOTIATION WILL MAKE POSSIBLE ADDITIONAL COOPERATION, INCLUDING AUTHORIZATION FOR THIRD-PARTY FABRICATION OF RESEARCH REACTOR FUEL AND -- IF DESIRED AND AVAILABLE -- THE SUPPLY OF HEAVY WATER.

(C) IN THE INTERIM, WE UNDERSTAND THAT GERMAN FIRM RBU HAS REQUESTED A US LICENSE FOR THE EXPORT OF A LARGE QUANTITY OF ZIRCALOY FOR CLADDING OF ATUCHA FUEL. AS A RESULT OF CHANGED US EXPORT LAWS IN THE NUCLEAR NON-PROLIFERATION ACT OF 1978, WE NEED TO CONFIRM CERTAIN UNDERSTANDINGS BEFORE WE CAN AUTHORIZE THIS EXPORT. THESE UNDERSTANDINGS WOULD ALSO BE NEEDED IN AN AMENDED AGREEMENT FOR COOPERATION. IN PARTICULAR, WE WOULD NEED

ARGENTINA'S CONFIRMATION THAT: (1) THE ZIRCALOY IN QUESTION WOULD NOT BE RE-EXPORTED WITHOUT THE AGREEMENT OF THE US; AND (2) NO US MATERIAL OR MATERIAL DERIVED FROM ITS USE WILL BE USED FOR ANY NUCLEAR EXPLOSIVE

DEVICE, FOR RESEARCH OR DEVELOPMENT ON ANY NUCLEAR  
EXPLOSIVE DEVICE, OR FOR ANY OTHER MILITARY PURPOSE.

(D) US SUGGESTS THESE UNDERSTANDINGS BE INCORPORATED IN AN  
EXCHANGE OF NOTES. WE ARE PREPARED TO SUPPLY DRAFT TEXT  
IF ARGENTINES WISH.

3. IF ASKED ABOUT SO-CALLED MODEL AGREEMENT, YOU  
SHOULD INDICATE THAT MODEL MAY NOT TAKE INTO ACCOUNT  
ARGENTINE REQUIREMENTS. FOR EXAMPLE, MODEL DOES NOT  
PERMIT THIRD-PARTY FUEL FABRICATION, THOUGH WE UNDER-  
STAND THAT IS IMPORTANT FEATURE DESIRED BY ARGENTINES,

AND ONE WE CAN SUPPORT IF THERE HAS BEEN PROGRESS ON OTHER  
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ELEMENTS OF THE "PACKAGE." IF, HOWEVER, ARGENTINES WOULD  
LIKE TO SEE MODEL FOR INFORMATION PURPOSES, WE WOULD HAVE  
NO OBJECTION AS LONG AS IT IS UNDERSTOOD THAT IT IS NOT  
FULLY APPROPRIATE TO ARGENTINE CASE.

4. BEGIN FYI: CONCERNED WASHINGTON AGENCIES ARE INTER-  
ESTED IN CONVEYING TO ARGENTINES OUR SATISFACTION AT  
STEPS ANNOUNCED BY ARGENTINA, BUT ARE RELUCTANT TO TAKE  
CONCRETE STEPS UNTIL ARGENTINES HAVE CONVERTED WORDS INTO  
ACTIONS. WE ARE PREPARED, HOWEVER, TO BEGIN DISCUSSIONS  
ON NEW AGREEMENTS FOR COOPERATION AT A MUTUALLY CON-  
VENIENT TIME THIS FALL. IN INTERIM, THE EXCHANGE OF NOTES  
SHOULD PERMIT CONTINUATION OF MINOR ASSISTANCE, AS WELL AS  
RESOLVING THIS PARTICULAR ZIRCALOY CASE. END FYI.

5. FOR EMBASSY BONN: YOU SHOULD TAKE EARLY OPPORTUNITY  
TO INFORM BOTH BMFT AND FOROFF THAT THE USG HAS DECIDED  
TO PROVIDE THE ZIRCALOY REQUESTED IN REF (A) PROVIDED  
THAT THE GOA AGREES TO THE CONDITIONS STATED IN PARA 2(C).  
WE HOPE THE US AND FRG WILL BE ABLE TO KEEP IN CLOSE  
CONTACT ON THIS AND ALL OTHER MATTERS OF NON-PROLIFERATION  
INTEREST.

6. FOR VIENNA: WE WOULD APPRECIATE ANY ADDITIONAL INFORMA-  
TION MISSION CAN DEVELOP ON STATUS OF ARGENTINE-IAEA  
CONSULTATIONS ON POSSIBLE FULL-SCOPE SAFEGUARDS AGREEMENT.  
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## Message Attributes

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**Channel Indicators:** n/a  
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**Concepts:** SALES  
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**Copy:** SINGLE  
**Draft Date:** 28 jul 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
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**Subject:** US SALE OF ZIRCALOY TO FRG FOR USE IN ARGENTINA  
**TAGS:** PARM, TECH, MNUC, AR, GE  
**To:** BONN BUENOS AIRES MULTIPLE  
**Type:** TE  
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